

The Effect of the Florida Department of Transportation's Statewide Funding Policies on Funding for Arterial Roads and Metropolitan Planning Organizations' Priorities

Introduction

In recent years there has been a fundamental shift in how the state of Florida invests in its transportation infrastructure. Florida has responded to an estimated \$23 billion funding shortfall for transportation infrastructure by concentrating limited transportation funds on increasing the capacity of Florida's major state highways, modal hubs and connectors. The Florida Department of Transportation (FDOT) has instituted a new funding policy which will require 75 percent of all capacity funds to be dedicated to transportation projects of regional and state-wide significance (the Strategic Intermodal System) by 2015. There has also been an increased emphasis on transportation funds programmed by the FDOT's Central Office, as well as the expansion of programs that require matching funds, and require local governments to take a more regional perspective of their transportation networks.

While capacity funding will continue to increase for Florida's major state highways, and other transportation facilities of statewide and regional significance, state capacity funding will decrease for state arterial roads that local governments rely upon for intracity mobility. A qualitative survey of Metropolitan Planning Organizations (MPOs) prepared by committee staff, demonstrates their concerns with this funding policy. MPOs are required by state and federal law to develop transportation plans for Florida's urban areas in cooperation with FDOT. The MPOs believe their traditional influence on how transportation funds are spent has diminished, and FDOT's funding policy will require MPOs to spend local funds for future capacity improvements on state arterial roads.

Background

The background portion of this report will first examine the underlying statutory requirements that prompted FDOT to concentrate capacity funds on the Strategic Intermodal System (SIS). As further background information, this report will then describe:

1. The SIS;
2. What capacity funding is;
3. How FDOT chooses SIS capacity projects;
4. How FDOT is implementing its new funding policy;
5. How, over the years, FDOT and the Legislature have developed a state-wide vision for the planning and financing of transportation infrastructure by creating programs that are programmed by the FDOT Central Office, leverage funding by requiring matching funds, and encourage MPOs to plan regionally; and
6. The MPOs' role in the selection of projects for funding.

FDOT's Statutory Requirements

The FDOT is charged with constructing and maintaining the state highway system (chapter 335, F.S.). FDOT's overall priority is the preservation and safety of the system, and FDOT's capacity priority is the Strategic Intermodal System. Section 334.046, F. S., provides the prevailing principles FDOT must consider in planning and developing an integrated state-wide transportation system are to: 1. Preserve the existing transportation infrastructure; 2. Enhance Florida's economic competitiveness, and; 3. Improve travel choices to ensure mobility.

Florida statutes also provide that the Strategic Intermodal System is the state's capacity funding priority. Section 339.61, F.S., provides "...it is the intent of the Legislature that the Strategic Intermodal System consist of transportation facilities that meet a strategic and essential state interest and that limited resources available for the implementation of statewide and interregional transportation priorities be focused on that system."

Strategic Intermodal System

The Legislature created the Strategic Intermodal System (SIS) in 2003 to concentrate limited funding on the transportation infrastructure that moves the most commercial and intercity traffic, and on other transportation projects that would have the greatest impact on the economy. The SIS is a statewide network of high-priority transportation facilities, including the state's largest and most significant commercial service airports, spaceport, deepwater seaports, freight rail terminals, passenger rail and intercity bus terminals, rail corridors, waterways and highways. The road network of the SIS only accounts for 6.8 percent of the state's total road network (lane miles) including local roads. However, the Strategic Intermodal System facilities account for:

- 99 percent of Florida's commercial enplanements;
- 98 percent of Florida's air cargo tonnage;
- All commercial and military space launch activity;
- 99 percent of freight rail traffic by weight;
- Virtually all rail freight using intermodal terminals;
- 82 percent of passengers served by Florida's interregional passenger terminals;
- and
- 68 percent of all truck traffic that uses the State Highway system.

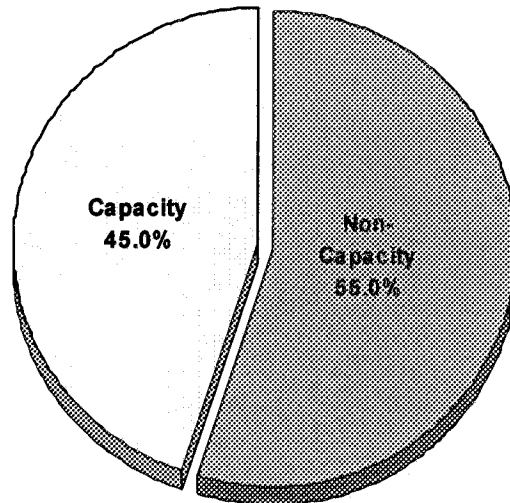
In order to understand the effects of FDOT's policy and why this policy was developed, it is necessary to understand how SIS capacity projects are developed and selected.

Capacity Funding - State Transportation Trust Fund

The State Transportation Trust Fund (STTF) is the depository of all federal and state transportation funding sources. For fiscal years 2006 through 2010, FDOT will average \$7 billion annually in transportation funding. Approximately 52 percent of the STTF is funded through state transportation fuel taxes and vehicle registration fees. Federal funding provides for 26 percent of the STTF, with the remaining 22 percent of the fund from toll, local and other sources. The STTF can also be split into capacity and non-capacity funding. Capacity funding improves the traffic capacity of roads and accounts for approximately 45 percent of all STTF funds. Non-capacity funding includes product

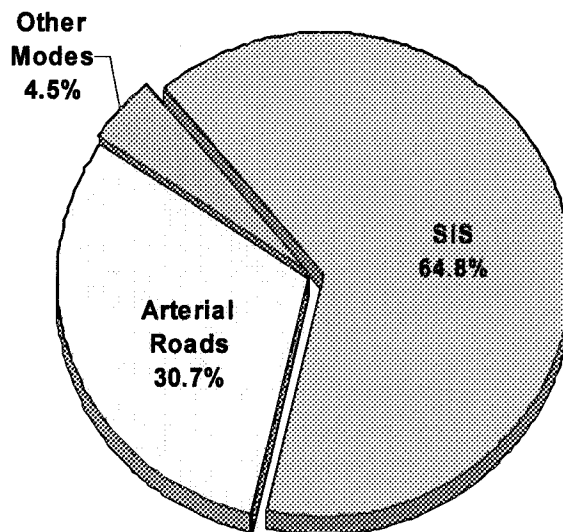
support and preservation activities including resurfacing, bridge repair, and operations and maintenance of transportation facilities. FDOT's first priorities are preservation and safety which are, for the most part, considered non-capacity.

STTF by Use



Non-capacity funding accounts for 55 percent of STTF funds. While FDOT will continue to maintain the state highway system, FDOT's state-wide and regional policy is reflected in the distribution of capacity funds. In the current work program, FDOT is dedicating 64.8 percent of capacity funding to the SIS, and approximately 30.7 percent on other arterial roads.

Capacity Funding



SIS Capacity Project Selection

The first step in the process of choosing SIS projects is the development of a list of projects from each modal office within FDOT's Central Office (Florida Intrastate Highway System, aviation, rail, seaports). These are developed through a review of the particular system's plan and the needs as defined by the modal office and their statewide stakeholders. This pool of projects is sent to the districts along with a funding limit (based on statutory formula). The districts then evaluate the projects sent by the Central Office and work with the MPOs and the appropriate modal facility representatives to prioritize those projects.

The districts then send their selected projects back to the Central Office where they are vetted by FDOT's Systems Planning Office for compliance with the law and FDOT policy. The five SIS goals provided in statute that are the main factors that guide highway project prioritization include improvements of mobility, quality of life and safety, economic enhancement, and the ability to preserve existing conditions and minimize the overall environmental impact. SIS projects related to growth management funding are evaluated using additional growth management criteria.

SIS highway projects undergo a more objective evaluation than the other modes because the projects are evaluated by the Systems Planning Office using a decision support system tool called the SIS Investment Tool (SIT). The SIT evaluates SIS highway projects by criteria such as traffic congestion, safety, pavement conditions, economic development potential, and intermodal connectivity, and then assigns a score for each project. Projects which are in the top one-third of the scoring are considered current needs, while the bottom one-third are emerging needs. A similar tool for modes other than highways has not yet been developed, therefore the project selection is more subjective. Once the projects are vetted the list is sent to the Secretary and Assistant Secretaries where further changes are made and the modified list receives final approval.

Implementation of FDOT's New Funding Policy

FDOT's new funding policy is based on their fundamental statutory duties, and an aggressive capacity funding policy. By 2015 FDOT expects to increase the percentage of total capacity funding dedicated to the SIS from 65 percent to 75 percent through the distribution of new discretionary highway capacity funds and by requiring FDOT Districts to expend a certain amount of their funds on the SIS.

Section 339.135 (4) (a) 2., F.S., provides that FDOT must allocate at least 50 percent of new discretionary highway capacity funds to the SIS, and the remainder to the districts by statutory formula. The section defines new discretionary highway capacity as any funds available to FDOT above the prior year funding for capacity improvements. By policy, FDOT made the decision to allocate 75 percent of these funds toward the SIS and 25 percent toward arterial roads.

The FDOT Executive Board is responsible for allocating new discretionary capacity funds. The Executive Board consists of the FDOT Secretary, Assistant Secretaries, the District Secretaries and the Executive Director of the Turnpike Enterprise. In 2005, the Executive Board met three times to allocate new funding. As stated earlier, system

preservation is the top priority before new capacity funding. Some new capacity funds are not discretionary, such as the \$541.8 million in growth management funds provided in SB 360, because the Legislature specifically dedicated those funds to certain programs. However, projected increases in fuel taxes and other transportation funding sources identified by the Revenue Estimating Conference, and some new funds from the reauthorization of the federal transportation act (SAFETEA-LU) are discretionary.

In July 2005, the Executive Board made funding allocations of additional state commitments based on the March 2005 State Transportation Estimating Conference. The majority of those funds went toward system maintenance and statutory requirements. In September of 2005, additional SAFETEA-LU funds were allocated, and the Board met in November to allocate additional project commitments based on the November Transportation Revenue Estimating Conference.

For example, at the Executive Board's September 2005 meeting the SAFETEA-LU funds were distributed by the Executive Board, following FDOT policy, at 75 percent to the SIS and 25 percent to arterial roads after the Board funded some needs based recommendations brought to the board by the District Secretaries. In total, for fiscal years 2007-2011, the Board funded needs based programs at \$27.98 million for the Off-System Bridge Replacement and \$92.81 million for concrete pavement projects. The remainder of the funds were allocated to the SIS (\$267.42 million) and arterial roads (\$89.14 million).

The distribution of the new discretionary capacity funds alone will not be enough to reach FDOT's goal of dedicating 75 percent of total capacity to the SIS by 2015. Beginning in 2010, FDOT will require the districts to program a target amount of funds from district allocations that must be dedicated to SIS facilities. These target amounts will total approximately \$1.4 billion statewide from fiscal year 2011-2015.

Development of FDOT State-Wide Policy

SIS projects are not the only program FDOT allocates from the Central Office with input from the District Offices and MPOs. In the 1990's FDOT began to develop a state-wide outlook of Florida's transportation system through the Florida Intrastate Highway System (FIHS) Plan. The FIHS is now considered the backbone of the SIS.

The next significant shift toward a state-wide perspective for transportation planning and funding was the creation of the Freight Stakeholders Task Force. The Task Force was organized in 1998, and was comprised of transportation industry and government leaders. In the short-term, the Task Force was charged with recommending a consensus list of prioritized transportation projects for "fast track" funding in the next fiscal year. While FDOT still made the final funding decision on the prioritized projects, this represented a new approach to statewide planning where FDOT sought recommendations from the private sector.

In 1999, Florida implemented the Fast Track program which built upon the work of the Freight Stakeholders' Task Force. Fast Track allowed transportation projects that had been unfunded or underfunded in the past to receive priority consideration for accelerated funding in the first year of the work program.

Mobility 2000

In order to stretch limited transportation funds, during the 2000 Legislative session, FDOT sought numerous innovative financing techniques, and continued to stress the importance of programs that would benefit major state roads. The resulting legislation, known as Mobility 2000 (Senate Bill 862), provided for an infusion of general revenue funds and created new programs and infrastructure funding options.

The increased funding was required by statute to fund projects of statewide and regional significance. Section 339.1371, F.S, provides Mobility 2000 "...funds will be used for corridors that link Florida's economic regions to seaports, international airports, and markets to provide connections through major gateways, improved mobility in major urbanized areas, and access routes for emergency evacuation to coastal communities based on analysis of current traffic conditions."

Mobility 2000 also created new programs within FDOT which, for the most part, were designed to stretch state funding through local match requirements or are distributed by the Central Office:

- The State-funded Infrastructure Bank (SIB) was created to provide loans and credit enhancements to transportation projects that are on the state highway system or that provide for increased mobility on the state highway system. SIB loans are awarded by FDOT Central Office.
- The County Incentive Grant Program (CIGP) was created to provide grants to counties to improve transportation facilities on the state highway system or that provide for increased mobility on the state highway system. CIGP funds are distributed by statutory formula to the districts, but require a 50 percent local match.
- Small County Outreach (SCOP) Projects are selected by FDOT on a statewide needs basis by objective pavement condition analysis. FDOT limits how many projects a county can submit in order to provide some funding equity.

Growth Management Funding

During the 2005 Legislative Session, Senate Bill 360 provided another infusion of funding for the SIS and other FDOT programs. The bill provided non-recurring funding from the General Revenue Fund and recurring funding from increased documentary stamp tax revenues.

SB 360 Transportation Funding	Recurring (in millions)	Non-Recurring (in millions)	Total
SCOP	27.1		27.1
New Starts Transit	54.2		54.2
TRIP	115.1	275.0	390.1
SIS	345.4	175.0	520.4
SIB		100.0	100.0
CIGP		25.0	25.0
Total	541.8	575.0	1116.8

Senate Bill 360 also created the Transportation Regional Incentive Program (TRIP) to improve regionally significant transportation facilities in "regional transportation areas". The program provides state funds as incentives for local governments and the private sector to help pay for critically needed projects that benefit regional travel and commerce. The program requires a 50 percent match. TRIP funds are distributed to the districts by statutory formula. As stated earlier, the SIS and SIB funds are distributed by the Central Office.

In order to qualify for TRIP funds, MPOs are required to create regional transportation areas by joining with other MPOs pursuant to an interlocal agreement, and develop a regional transportation plan that identifies and prioritizes regionally significant facilities. A regional transportation area is defined in s. 339.155 (5), F.S., as:

- Two or more contiguous MPOs;
- One or more MPOs and one or more contiguous counties that are not members of an MPO;
- A multi-county regional transportation authority created by or pursuant to law;
- Two or more contiguous counties that are not members of an MPO; or
- MPOs comprised of three or more counties.

The FDOT has identified the MPOs and counties in each district that have signed their interlocal agreements and submitted their list of priority projects to the district for TRIP funds.

MPO Process

Section 339.175, F.S., and Title 23 U.S. Code Sec. 134, requires MPOs to develop, in cooperation with FDOT, transportation plans and programs for urbanized areas of more than 50,000 persons. The process for developing such plans and programs must provide for the consideration of all modes of transportation and "shall be continuing, cooperative, and comprehensive" to the degree appropriate based on the complexity of the transportation problems. Pursuant to s. 339.175, F.S., MPOs, in cooperation with the FDOT and public transit operators, develop transportation improvement programs (TIP) that are the building blocks for FDOT's statewide Five-Year Work Program. An MPO must be designated for each urbanized area of the state. Florida currently has 26 MPOs, which consist of locally elected officials, appropriate state agencies, and officials of public agencies that administer major modes of transportation within the metropolitan area.

The FDOT District Office negotiates and develops a tentative work program with the MPOs in the district. The district must hold a public hearing in at least one urbanized area in the district and make a presentation at a meeting of each MPO in the district to allow for suggestions concerning any deletions, additions or rescheduling of any projects in the tentative work program. If an MPO has a project rescheduled or deleted, the District Secretary must provide written justification to the MPO for the deletion or rescheduling. After the tentative work program is submitted to FDOT's Central Office the MPO may file an objection with the FDOT Secretary if the MPO is not satisfied with the district's justification for rescheduling or deleting a project. However, the secretary has the final word on which projects are deleted or rescheduled.

Transportation Management Areas

Only MPOs in transportation management areas (urban areas with a population of 200,000 or more) have funding which is specifically designated for MPOs to program. The approximate statewide total for these federal urban funds (commonly known as XU funds) for 2006 is \$225 million for all 14 transportation management areas in the state. For example, the Bonita Springs-Naples transportation management area will receive \$4.3 million in XU funds in 2006, and the Miami-Dade transportation management area will receive approximately \$43.2 million in XU funds. These totals include a FDOT match of 33 cents for every dollar of XU funds.

As stated, state and federal law requires the work program to be developed by FDOT in cooperation with the MPOs, for XU funds in transportation management areas, the funds are programmed by the MPOs in consultation with FDOT. Federal law (23 CFR 450.104) provides that “cooperation” means that the parties involved in carrying out the planning, programming and management systems processes work together to achieve a common goal or objective. “Consultation” is defined to mean that one party confers with another identified party in accordance with an established process and, prior to taking action, considers that party’s views and periodically informs that party about actions taken.

MPO Regional Coordination

Over the years the Florida law has made numerous efforts to encourage MPOs to plan projects in concert with other effected jurisdictions.

In 2003, the Legislature amended the provisions in law dealing with the creation of new MPOs. The Legislature and FDOT wanted to encourage any newly created MPOs not to form a single county MPO but to join with existing MPOs or contiguous counties. The legislation provided a methodology for MPOs to coordinate interjurisdictional planning (s. 8, ch. 2003-286, L.O.F.).

In 2004, the Legislature amended s. 339.175, F.S., to further encourage MPOs to think beyond the border of their planning area (s. 4, ch. 2004-366, L.O.F.). The new provisions require MPOs to develop “... plans and programs that identify transportation facilities that should function as an integrated metropolitan transportation system, giving emphasis to facilities that serve important national, state, and regional transportation functions.” The provisions specified that those facilities include the facilities on the SIS. The section was further amended to require MPOs to consider the SIS plan when developing their funding priorities.

In 2005, the TRIP program was created, as discussed earlier, and in order to qualify for the TRIP program MPOs are required to create regional transportation areas by joining with other MPOs pursuant to an interlocal agreement, and develop a regional transportation plan that identifies and prioritizes regionally significant facilities.

Methodology

Committee staff prepared and sent a qualitative survey to all MPO staff directors in the state, and conducted numerous follow-up telephone interviews. Staff also met frequently with the MPO Advisory Council staff and FDOT to gather information and discuss the

project prioritization process. Staff also conducted an extensive review of relevant Federal and State laws, and reviewed literature from a variety of resources including the Center for Urban Transportation Research at the University of South Florida, the Florida Transportation Commission, FDOT, and other organizations.

Findings

The FDOT has taken the broad policy guidance provided in statute and created an assertive capacity funding policy. How this policy will effect the state's total transportation network, including local roads and non-SIS state roads, is not known at this time. Local governments will likely need to fill the funding gap with local funds, but it is not known if local governments will choose to use those funds on non-SIS state roads or city and county roads. The Findings portion of this report will first provide a summary of MPO responses to the survey, and examine what options the MPOs have to close the funding gap for non-SIS state roads. Finally, the report will demonstrate FDOT's limited funding options and how FDOT tries to maintain some statewide equity over a ten year period.

MPOs

While FDOT continues, with limited funds, to finance the state's priority transportation facilities, local governments must now struggle to build capacity on the state arterial roads while they continue to maintain and build capacity on their city and county roads. The irresolute definition of the relationship between FDOT and MPOs in both state and federal law leaves their coordination efforts open to interpretation. As long as FDOT continues to involve MPOs to some degree in the planning of transportation projects, it would appear to be in compliance with state and federal requirements. Further, the relationship between MPOs and the FDOT District Offices varies from district to district.

In order to gauge the MPOs' reaction to FDOT's funding policy, committee staff prepared a qualitative survey which was distributed to the staff directors of the 26 MPOs in the state. Of the 26 MPOs, 22 returned a written response and the others were interviewed by phone. According to the survey responses and subsequent interviews, the general response to FDOT's funding policy by the MPOs is negative.

According to the MPOs, FDOT's funding policy has limited their funding options for capacity improvements on non-SIS state roads. The FDOT asked each MPO to reduce the revenue projections for their arterial programs by 40 percent when preparing their long-range transportation plans. The result is that some MPOs indicated some of their priority projects have been removed from their long range plans. The survey asked each MPO how the new funding policy will affect the funding of arterial roads in their jurisdiction and most MPOs stated it would have a negative effect, but many were not able to provide specifics because they are still reviewing the effects on their long range plans. Some MPOs think the policy creates an imbalance and undervalues non-SIS facilities. MPOs with no or few SIS facilities, such as the Gainesville and Tallahassee area MPOs, were concerned their facilities will be neglected. Orlando, the one MPO that was positive toward FDOT's funding policy, has many SIS facilities.

MPOs also showed concerns over a deterioration of the level of service (LOS) on arterial roads because of the loss in capacity funding. LOS is a measurement of a road's

congestion; Level A is the least congested and level F is the most congested. MPOs were asked how FDOT's policy will affect the LOS on arterial roads. Survey responses showed MPOs were concerned with congestion on non-SIS state roads and predicted a deterioration of the LOS which could result in delays for approval of development under concurrency requirements. Some MPOs stated the degradation of the LOS on non-SIS facilities will in turn degrade parallel SIS facilities.

Almost all of the MPOs feel the new funding policy has diluted their influence on the development of the work program. Most MPOs expressed concerns that their priorities are mostly on non-SIS facilities and it will take much longer to build their projects. Since less funding will be available, non-SIS projects will have to be allocated over a longer period of time and constructed in smaller segments. Even MPOs that have made SIS projects their top priority are concerned. The Palm Beach MPOs' top priorities have been on the SIS, and most are under construction or plan to be in the next 10 years. After that, the SIS in Palm Beach is built and a reduction in funds is anticipated.

Most MPOs stated the TRIP program may help with some of the arterial funding shortfall and address some MPO priorities, but it will not be sufficient to meet the needs. Many of the smaller MPOs stated they could not afford the 50 percent match. By design, this program requires MPOs and counties to pool their priorities and reach a consensus on more regional priorities.

While FDOT's funding options are limited, local governments have a variety of options available to them to fund local transportation infrastructure priorities. These options include:

- Local Option Fuel Taxes – Florida Statutes authorize counties to levy up to 12 cents per gallon in local option fuel taxes. Six cents of this tax may be levied by a county through a majority vote of the County Commission, and six cents may be levied by a majority vote plus one. Thirteen counties in Florida have levied all 12 cents of the local option fuel taxes.
- Impact Fees – Impact fees are intended to reimburse local governments for costs of new development therefore passing on those costs to the developer and new residents instead of the general public. In 2004, 39 counties imposed impact fees, collecting approximately \$475 million, and 114 municipalities imposed impact fees, collecting \$185 million.
- Charter County Transit System Surtax – Authorizes charter counties to levy a sales tax of up to 1.0 percent by county-wide referendum for transit and other transportation improvements.
- Local Infrastructure Surtax – Authorizes counties to levy a sales tax of .5 or 1.0 percent with a majority vote of the county commission and approved by voters through a county-wide referendum. Currently, 18 counties have approved this tax for 1.0 percent and two for 0.5 percent.

FDOT

Florida law requires FDOT to maintain the state's current transportation system, and to enhance Florida's economic competitiveness. FDOT has instituted this mandate with an aggressive state-wide funding program. While FDOT's actions appear to be in compliance with state law and numerous transportation and economic development

organizations, it is unknown at this time whether concentrating capacity funds on facilities of state and regional significance, at the expense of arterial state road capacity, is the best course for the state.

The FDOT has had to rely on innovative financing techniques and targeted funding to stretch limited transportation funds. Facing a \$23 billion funding shortfall (as defined by FDOT to maintain the current level of service for the next 10 years) for transportation, FDOT, unlike local governments, has no new funding opportunities short of an act of the Legislature. Therefore, FDOT and the Legislature have concentrated limited funding on the portions of Florida's transportation infrastructure that give the most return for its investment. As the background portion of this report demonstrates, FDOT has accomplished this by:

- Making the SIS the state's number one capacity funding priority;
- Expanding the number of programs which are programmed from the Central Office as opposed to being programmed by the District Offices and MPOs;
- Expanding the number of programs which require matching funds;
- Expanding the number of programs which limit funding to roads of regional or state-wide significance; and
- Encouraging MPOs to expand their planning boundaries.

FDOT must also contend with large projects which require a large funding commitment for a particular district. Some examples of these large projects include the \$103 million project on I-4 in Polk County which began in 1996 and will be under construction until 2007; the \$215 million project at the I-10 and I-95 interchange in Duval County which began in 1996 and will be under construction until 2006; and the \$180 million dollar Port of Miami Tunnel set to begin in 2007 (the final cost for this project will be over \$1 billion). For this reason, FDOT's Secretary and Assistant Secretaries review district equity over at least a ten year period when making the final SIS capacity funding decisions.

The Legislature has provided for a statewide vision for transportation planning and funding. In order to implement this vision, it is necessary to delegate some transportation system planning and funding to a more centralized authority. This was done with the understanding that the implementation of this policy provides for the most cost effective use of transportation funds. It is not known at this time if FDOT's funding policy will provide a balanced system, but what is clear is that FDOT has a significant amount of control over how much input local governments will have in the development of that system. MPO survey responses indicate that they think, by varying degrees, their influence over which projects are funded in the work program is waning, and that non-SIS state facilities have been, or will be, marginalized unless local funds are used. The Legislature has very little authority over the work program aside from approving it in total. As the appropriator of state funds, the Legislature is required to put a great deal of faith in an executive agency's ability to interpret the Legislature's broad policy guidance, and deliver a balanced and comprehensive transportation system.